

Date Mailed March 6, 2001

BEFORE THE
PUBLIC SERVICE COMMISSION OF WISCONSIN

In the Matter of Wisconsin Electric Power Company's
Request for Declaratory Ruling Approving a Proposed
Plan to Increase Generation in Wisconsin

6630-DR-104

NOTICE OF PROCEEDING

THIS IS A PROCEEDING to consider the petition of Wisconsin Electric Power Company ("Wisconsin Electric"), filed on February 23, 2001, for a declaratory ruling, pursuant to Wis. Stat. Sec. 227.41. In the petition, Wisconsin Electric withdraws its November 29, 2000, request for declaratory ruling on the effects on competition of the company's "Power the Future" proposal. In place of the earlier ruling, Wisconsin Electric seeks several determinations regarding its revised proposal, "Power the Future- 2" ("the Proposal").

The Commission agrees to consider the petition.

Any person may file comments on the petition by 12:00 noon, on March 21, 2001. Wisconsin Electric may file a reply to any such comments by 12:00 noon on March 30, 2001. Any person believing it should be a party to this proceeding shall include in its comments, a request for contested case, addressing the criteria contained in Wis. Stat. Sec. 227.42. Unless the commission admits other parties, the commission will issue its declaratory ruling on the basis of the petition, the comments and the reply.

Under the Proposal, a new subsidiary of Wisconsin Energy Corporation, the parent of Wisconsin Electric ("WE"), would build and own new power plants and make major new investments in existing plants. The new plants would be operated by Wisconsin Electric pursuant to long-term leases. More specifically, the Proposal calls for the construction of two natural-gas fired units to be operational in the years 2005 and 2008, and three coal-fired units to be operational in the years 2007, 2009, and 2011.

Wisconsin Electric seeks the following determinations:

1. It is prudent for Wisconsin Electric to proceed with the development of PTF-2, including the new regulatory mechanism described below in Section III whereby new generation will be constructed and owned by a non-utility affiliate and leased to Wisconsin Electric.

2. It is prudent for Wisconsin Electric to agree to reimburse the affiliated non-utility generation company for pre-certification expenses which the generation company prudently incurs in construction of new generation facilities under PTF-2, to separately account for such expenses, and to report periodically to the Commission regarding the level of such expenses and the schedule for further expenditures.

3. When the PTF-2 facilities are operational, it is reasonable for Wisconsin Electric to include such pre-certification expenses in the lease payments to the new generation affiliate.

4. In the event that it is prudent for the company to terminate PTF-2 due to a material change in the plan or the company's relevant circumstances, Wisconsin Electric may amortize over a period of time determined by the Commission and recover in rates pre-certification expenses paid to the affiliated non-utility generation company, to the extent the level of such pre-certification expenditures is reasonable.

5. Following issuance of a Certificate of Authority or a Certificate of Public Convenience and Necessity, it is reasonable for Wisconsin Electric to earn a current return on construction work in progress (CWIP) with respect to PTF-2 generation facilities.

6. All prudent expenditures by Wisconsin Electric in implementing PTF-2 fall within the reliability "carve-out" contained in the PSCW's order approving the merger of WICOR and Wisconsin Energy.

7. The mitigation actions proposed are appropriate in addressing competitive concerns.

Copies of the Petition are available from the Records Management Section of the commission, at 610 N. Whitney Way, second floor, Madison.

The Commission does not discriminate on the basis of disability in the provision of programs, services, or employment. Any person with a disability who needs accommodations to participate in this proceeding or who needs to obtain this document in a different format should contact the docket coordinate listed below.

Questions from the media may be directed to Jeffrey L. Butson, Public Affairs Director, at (608) 267-0912.

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Questions regarding this matter may be directed to the docket coordinator, Mary Kettle, at (608) 267-2405.

Dated at Madison, Wisconsin, _____

By the Commission:

Lynda L. Dorr
Secretary to the Commission

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